



EFSI Operation Scoreboard¹

PROJECT PRESENTATION	
<u>Project name</u>	PROGRAMME LOAN HEATING SECTOR IN SLOVAKIA
<u>Promoter or financial intermediary</u>	PUBLIC ENTITY(IES), ACCEPTABLE CORPORATE(S)
<u>Country of implementation</u>	Slovakia
<u>Summary project description</u>	<p>This Programme Loan (PL) will fund the investments of different Slovak utilities operating in the district heating sector. An example of the type of operations envisaged is the already identified sub-project Zvolenská teplárenská heating renewal in Zvolen hereafter referred to as “ZT Project”.</p> <p>The main objectives of the PL investments are to develop and optimize the district heating networks, to improve the quality of the heat supply services and to ensure that existing and future heating demand are met reliably in the regions served by the Promoters. The Programme will modernize obsolete generation and distribution assets. New biomass and gas boilers or reconstructed gas boilers will replace obsolete coal and gas fired heat generation assets. The Programme sub-projects will also include construction of new distribution networks as well as extension and modernization of the existing ones. The sub-projects will reduce the emission of CO₂ and other pollutants by replacing polluting heating boilers both in centralized heating systems and in individual residential and public buildings with centralised heat generation with reduced emissions and by optimizing and increasing efficiency of the network operation.</p> <p>The Promoter of the ZT Project is the largest producer and supplier of heat in the area of the town Zvolen with population of 43,000 people. In order to meet the emission limits of EU and Slovak legislation, the existing coal fired heating plants have to be replaced. The ZT Project will install new heat generation capacity, namely two new biomass fired heat only boilers with capacity of 20 MWt each and three more units with capacity of 12.5 MWt each (one biomass fired and two gas fired boilers). The Promoter also owns and operates 21 km of heat distribution pipelines. Part of these pipelines (9 km) uses steam for heat distribution. The ZT Project will replace those pipes by pre-insulated hot water pipes to significantly reduce losses and improve energy efficiency.</p>

¹ This Scoreboard of indicators reflects the information presented to the EFSI Investment Committee (IC) for its decision on the use of the EU guarantee for this operation. Therefore, the document does not take into account possible developments that could have occurred after this decision. Parts of this document that fall under the exceptions for disclosure defined by the EIB Group Transparency Policy, notably under the articles 5.5 (protection of commercial interests) and 5.6 (protection of the Bank’s internal decision-making process), have been replaced by the symbol [...].

PROJECT PILLAR ASSESSMENT

Pillar 1

Contribution to EU policy	High
Cross-cutting objectives	
EIB Cohesion Priority Regions / Economic and Social Cohesion	100.00%
Climate Action	80.00%
EFSI	
Contribution to EFSI	100.00%
EFSI: Development of the energy sector in accordance with the Energy Union priorities	100.00%
Expansion of the use or supply of renewable energy	20.00%
Energy efficiency and energy savings (with a focus on reducing demand through demand side management and the refurbishment of buildings)	60.00%
Other development of the energy sector in accordance with the Energy Union priorities	20.00%

Pillar 2

Quality and soundness of the project	Good
1. Growth	[...]
2. Promoter capabilities	[...]
3. Sustainability	[...]
4. Employment	[...]

This pillar evaluates the quality and soundness of the operation. This pillar is composed of up to four indicators which include:

- (i) "Growth" i.e. for example and where relevant the economic rate of return ("ERR"), which considers the project's socioeconomic costs and benefits, including its spillover effects;
- (ii) "Promoter capabilities" i.e. the capacity of the promoter/intermediary to implement the project and create the expected impact at the [final] beneficiary level;
- (iii) "Sustainability" i.e. environmental and social sustainability²;
- (iv) "Employment" i.e. the project's direct employment effect;
- (v) "Increasing access to finance and improving financing conditions including for final beneficiaries".

Pillar 3

EIB Technical and financial contribution to the project	Significant
1. Financial contribution	[...]
2. Financial facilitation	[...]
3. Advice	[...]

This pillar measures the EIB's particular contribution to the project and its financing scheme in the form of financial and non-financial benefits which go beyond what commercial players would normally be able to offer. This dimension of value added is assessed through up to three indicators:

- (i) "Financial Contribution" i.e. improving the counterpart's funding terms compared to market sources of finance (interest rate reduction and/or longer lending tenor);
- (ii) "Financial Facilitation" i.e. helping to attract private financiers (for example through positive signaling effects), promoting synergies in co-financing with other public sources of funds including National Promotional Banks or EU financial instruments;
- (iii) "Technical Contribution and Advice" i.e. providing advice with a view to optimizing the financing package (financial structuring), or technical advisory services in the form of expert input / knowledge transfer – provided in-house by the EIB or in the form of assignments to external consultants – to facilitate the preparation or implementation of a project.

² For additional information on the EIB's assessment of the project's environmental and social aspects, please refer to the project's Environmental and Social Data Sheet (ESDS) published on the EIB website.

Pillar 4 – Complementary indicators

Additionality

The proposed Programme Loan (PL) will respond to the EFSI objective of development of the energy sector in accordance with the Energy Union priorities, specifically expansion of the use or supply of renewable energy and energy efficiency and energy savings. This will be achieved through the investment by small and mid-sized district heating operators in heat generation and distribution assets (both construction of new and modernization of existing assets and distribution networks). The replacement of polluting boilers and decrease of losses in the distribution networks are key elements to help Slovakia achieve its objectives of improving the environment and developing a sustainable energy generation. Equally, the operation will address the objective of supporting less-developed regions and transition regions as 100% of the operation is expected to be deployed in Cohesion regions. The operation will thus also contribute to the Union priorities on convergence and social cohesion, helping reduce regional disparities by supporting investment.

The central heating sector in Slovakia suffers from a market failure. The sub-projects will allow for a more efficient heat supply in Slovakia and will contribute to reducing carbon externalities when they facilitate switching to a less carbon-intense fuel. Through saving demand for electricity and heat, energy efficiency projects reduce carbon externalities, as well in most cases air pollution and other negative externalities.

The central heating operations face a sub-optimal investment situation due to a lack of long-term investment loans of sizeable amounts (in relation to the promoters' own funds) with repayments coming from the borrowers' available revenues from tariffs. Longer maturities are key to underpin the sustainability of cash - flows and to allow utilities to keep delivering heating and electricity while improving the efficiency of their assets and facilities.

The sub-operations under this PL will fall under the EIB Special Activities category, in particular due to the long tenors, unsecured structure of the loans and the characteristics of the regulatory framework. As such, the EIB would not be able to provide such type of financing support during the period in which the EU guarantee can be used, or not to the same extent, without EFSI.

EIB's involvement in supporting the promoters' funding structures is expected to play a catalytic role, increasing the commercial lenders' confidence in these entities and confirming their own engagement in their financing. The EIB loan will also provide a signalling effect in the market.

The Bank will offer the possibility for the promoters to benefit from the support of the European Investment Advisory Hub (EIAH) as well as the European Local Energy Assistance (ELENA) facility. Said support shall help the promoters to structure their projects more efficiently and to enhance their eligibility for EIB financing.

The companies to be supported by the proposed PL will all be new counterparts to the EIB.

The PL would be the first EFSI operation in Slovakia for small and mid-size utilities and is expected to represent an important reference on the market.

Set of indicators related to the macroeconomic environment

Slovakia - Economic environment

Economic Performance

	SK	EU	US	SK
	2017	2017	2017	2001-2007
GDP per capita (EUR, PPS)	22,963	29,998	43,470	17,426
GDP growth (%)	3.2	2.4	2.2	6.4
Potential GDP growth (%)	2.7	1.8	2.0	4.9
Output gap (% of potential GDP)	0.23	0.08	0.04	-0.04
Unemployment Rate (%)	7.4	7.3	4.1	16.0
Unemployment Rate (%) - Y/Y change (% points)	-1.5	-0.9	-0.6	-1.2
Bank-interest rates to non-financial corporations (%)	1.9	1.3	2.4	--
Bank-interest rates to non-financial corporations (%) - Y/Y change (% points)	0.17	-0.04	0.4	--
Investment rate (GFCF as % of GDP) - Total	21.4	20.2	20.5	27.3
Investment rate (GFCF as % of GDP) - Public	3.2	2.7	3.3	3.5
Investment rate (GFCF as % of GDP) - Private	18.2	17.4	17.2	23.8

Energy

	2013	2014	2015	2016	EU (latest available)
Energy consumption from renewables (%)	10.1	11.7	12.9	--	16.7
Energy consumption from renewables - distance to EU 2020 target (%)	3.9	2.3	1.1	--	3.3
Energy dependence (%)	59.2	60.9	--	--	53.5
Primary energy consumption (consumption in 2005 =100)	89.7	85.9	86.6	--	89.3
Energy intensity of the Economy (kg of oil equivalent per 1 000 EUR)	332.0	--	--	--	141.7
Primary energy consumption (Million Tonnes of Oil Equivalent)	15.9	15.3	15.4	--	1,530
Primary energy consumption (Million Tonnes of Oil Equivalent) - distance to EU 2020 target	-0.48	-1.1	-0.98	--	46.6

General Sector Indicators

	2013	2014	2015	2016	EU (latest available)
Value added in Electricity, gas, steam and air conditioning supply (% of total)	--	--	--	--	2.0
Employment in Electricity, gas, steam and air conditioning supply (% of total)	--	--	--	--	0.6

- Country average for "GDP per capita (EUR, PPS)" is calculated in real terms

- EU value for "Bank-interest rates to non-financial corporations" corresponds to Euro Area average; Country average is the simple average between 2003 and 2007

- The EU value is displayed as the value in the year that corresponds to the latest value of the indicator in a particular country

Other indicators³

Key project characteristics

	Expected at PCR
Start of works	01.01.2019
End of works	31.12.2023
Project investment cost	200.00 MEUR
EIB/EFSI eligible investment mobilised	190.00 MEUR
External EFSI multiplier	1.90
External EIB (non-EFSI) multiplier	
Amount of private financing	90.00 MEUR
Quick start (% of expenditure during 2015-2018)	
Co-financing with national promotional banks	0.00 MEUR
Co-financing with structural funds (ESIF)	10.00 MEUR
Co-financing with other EU instruments (i.e. Horizon 2020, Connecting Europe Facility, etc)	0.00 MEUR
Energy efficiencies realised	0.00 MWh/a
Climate Action indicator	80.00% Mitigation - Energy Efficiency (transversal)
Employment during construction - temporary jobs	1,200 person years
Employment during operation - new permanent jobs	0 FTE

³ For additional information on the EIB's assessment of the project's environmental and social aspects, please refer to the project's Environmental and Social Data Sheet (ESDS) published on the EIB website. The abbreviation PCR stands for Project Completion Report. If applicable, a difference between the amount of Project investment costs and EIB/EFSI eligible investment mobilized might derive from the fluctuation of the underlying exchange rate.